

## BUDGET INCREASE TO PROTRACTED RELIEF AND RECOVERY OPERATION 200490:

**Project No.: 200490 Restoring Food Security and Livelihoods for Vulnerable Groups affected by recurrent shocks in El Salvador, Guatemala, Honduras and Nicaragua**

**Start date: 1 January 2014 End date: 31 December 2016**

Cost (United States dollars)			
	Current Budget	Increase	Revised Budget
Food and Related Costs	38,589,567	(4,333,281)	34,256,286
Cash and Vouchers and Related Costs	17,391,133	21,706,551	39,097,684
Capacity Development & Augmentation	264,300	716,900	981,200
DSC	9,633,001	2,077,607	11,710,608
ISC	4,611,460	1,411,744	6,023,204
<b>Total cost to WFP</b>	<b>70,489,461</b>	<b>21,579,521</b>	<b>92,068,982</b>

### NATURE OF THE INCREASE

1. The purpose of Budget Revision 2 for the Protracted Relief and Recovery Operation (PRRO) 200490 "Restoring Food Security and Livelihoods for Vulnerable Groups affected by recurrent shocks in El Salvador, Guatemala, Honduras and Nicaragua" is to increase project requirements in response to coffee rust and drought crises.
2. In particular, this Budget Revision will:
  - Increase the number of beneficiaries;
  - Increase voucher transfers and decrease cash and food requirements;
  - Adjust transfer values based on market analysis;
  - Incorporate additional capacity development and augmentation (CD&A) activities; and
  - Adjust associated costs accordingly and in line with a thorough review of expected expenditures and funds availability.

### JUSTIFICATION FOR THE BUDGET INCREASE

#### 1.1 Summary of Existing Project Activities

3. Central America is subject to recurrent shocks including hurricanes, floods, earthquakes and droughts. The disasters compromise the already precarious food security situation of the poor and vulnerable groups. Regional PRRO 200490 was launched in January 2014 to effectively respond to sudden and slow-onset emergencies, which often have a regional nature, supporting national response efforts when a disaster exceeds national government capacities. As such the regional PRRO is an important contingency planning, preparedness and emergency response vehicle granting Country Offices flexibility to respond rapidly to different types and scales of shocks as and when they arise.

4. The specific objectives of PRRO 200490 are to support and coordinate emergency responses in line with Strategic Objectives 1 and 2 of WFP's Strategic Plan (2014–2017) by:
  - Saving lives and protecting livelihoods (Strategic Objective 1); and
  - Helping to establish and stabilize livelihoods and food security through relief and recovery assistance (Strategic Objective 2).
5. The PRRO incorporates a regional approach which has proven to be effective since 1999 when a first regional PRRO was approved to assist populations affected by Hurricane Mitch. PRRO 200490 has a contingency-planning and response nature, facilitating a prompt and effective WFP emergency response at any time in the region followed by assistance during early recovery stages. The PRRO is based on a trend analysis of populations likely to be affected and assisted on an annual basis. As such, the PRRO meets the immediate needs of an estimated annual beneficiary caseload of food-insecure populations affected by shocks in a timely manner while supporting communities' recovery through asset creation, in order to enhance their livelihoods, and avoid a further deterioration of the nutritional status of vulnerable individuals.
6. The PRRO also represents an important link to developmental efforts in the four countries aimed at strengthening community and household resilience in shock-affected communities. This includes resilience oriented activities within the Country Programmes of Guatemala, Honduras and Nicaragua as well as partnerships with governments through Trust Funds and other mechanisms throughout the four countries.
7. Since the start of the operation in January 2014, WFP has responded to the impacts of the coffee rust outbreak. Coffee rust has affected 55 percent of land cultivated with coffee, seriously endangering the livelihoods of almost two million people who depend on coffee production as a primary source of income.<sup>1</sup> During the first half of 2014, a generalized drought began affecting Central America. Severe regional rainfall deficits during critical growth periods of crops resulted in large yield losses during the first cropping season. In many parts of the region, the season was the driest of the past 20 years.

### **Conclusion and Recommendations of the Re-Assessment (if applicable)**

8. During the development of the PRRO, WFP was in the process of conducting assessments to determine the impact of the coffee rust, the results of which highlighted a significantly greater number of food insecure people than originally forecast. The assessments reflected that 58,100 small holder coffee farmers and 72,900 coffee laborers were in severe or moderate food insecurity<sup>2</sup>. The assessment reflects bleak prospects for many vulnerable households dependent on coffee production as it is anticipated that many households will require 3 to 5 years to recover should they not migrate or otherwise change livelihoods. The situation has been further exacerbated as a result of the current state of the coffee industry in the region, including a generally limited level of investment in recent years.
9. In response to the drought, WFP first conducted an initial analysis in mid-2014 and then led a series of Emergency Food Security Assessments in Guatemala, Honduras and El Salvador during the second half of 2014 to better understand the impact of the drought on the food and nutrition situation of vulnerable populations. The assessments concluded that the region was affected by both a delayed arrival of the rains (April-May) and pronounced deficits during the most sensitive crop development stages (July). For maize, losses are estimated at 50 to 70

<sup>1</sup> IICA/PROMECAFE. *La crisis del café en Mesoamérica: Causas y respuestas apropiadas*. June 2013.

<sup>2</sup> These figures do not include Nicaragua.

percent for the first cropping season, which accounts for the bulk of the annual production. The bean harvest suffered similar levels of losses, although most of the yearly production arises during the second cropping season. In some areas, staple food prices rose in response to production shortages. The drought disproportionately impacted the dry corridor where many farmers are only able to harvest during the primary cropping season.

10. The assessment results indicated over 1.6 million people in Honduras, El Salvador and Guatemala suffering of severe or moderate food insecurity. While no assessment was conducted in Nicaragua, initial analysis of secondary data indicated an estimated 460,000 people may have also been affected. Migration was a coping strategy employed by many: 5 to 12 percent of households reported at least one member migrating in search of work opportunities over the past two months. Compared to the baseline data, the assessment results reflected a deteriorating food consumption and dietary diversity, a reduced consumption of micronutrient-rich foods, a poor access to food and a notable uptake of negative coping strategies. Throughout the region, the critical hunger gap for vulnerable populations will last until the second harvest, while the 2015 lean season will begin earlier and is likely to be more severe.
11. Table 1 reflects the number of people in moderate or severe food insecurity for each shock and by country. There is a minor overlap between people affected by the coffee rust and the drought.

TABLE 1: FOOD INSECURE BY EVENT / COUNTRY		
Country	Coffee Rust	Drought
Honduras	414,000	682,000
El Salvador	66,000	85,000
Guatemala	175,000	874,000
Nicaragua	60,000	460,000 <sup>3</sup>
<b>TOTAL</b>	<b>715,000</b>	<b>2,101,000</b>

12. Of those affected by drought, it is estimated that 17 percent or 286,000 people are severely food insecure in Honduras, El Salvador and Guatemala, with the remaining 1,355,000 suffering from moderate food insecurity.
13. The integration of WFP country-level response plans within those of national governments is crucial, noting that as Middle Income Countries, they are meeting a significant part of the overall drought food assistance requirements. As such, WFP assistance is focused on geographic areas with the greatest levels of severe food insecure populations and filling gaps in broader government responses.
14. Market assessments and other cash and voucher macro assessments coupled with an analysis of lead times of in-kind procurement and existing stocks, suggested that market-based transfers were feasible and/or preferable. These were also balanced with the need to link WFP interventions with broader government responses in each country to ensure alignment when determining transfer modalities.
15. Through the response to the coffee rust crisis since the start of the operation, pilot projects with transfers of cash and/or vouchers were undertaken in Guatemala, Honduras and El

<sup>3</sup> Estimated figure based on initial analysis as no assessment was conducted.

Salvador, complementing a previous pilot in Nicaragua. While the original design of the PRRO reflected an ambitious scale up of market access programmes, these initial pilots allowed the COs to develop various systems and modalities to effectively deliver assistance via cash and vouchers. The proposed increased focus on market access programmes builds on these pilots and reviews/evaluations.

16. Findings from the reviews highlighted that markets access interventions were sound and processes developed were effective. Decision making on the transfer modality, the mechanism of implementation, the choice of service provider and partners, were all made in a collective manner. Results of the reviews reflected a general preference for cash or voucher transfers over in-kind for both women and men. Furthermore, while reviews focused on processes, a greater dietary diversity was witnessed as a result of increased consumption of fruits, vegetables, meat and dairy products through market access programmes.
17. Finally, the implementation of the operation continues to benefit from the application of the WFP three pronged approach which includes the Integrated Context Analysis conducted during the formulation of the operation, seasonal livelihood programming consultations and community based participatory planning exercises in some areas/communities. These efforts provide a broader understanding of baseline situations of beneficiary households and communities, as well as transfer preferences, in order to ground emergency assessment findings.
18. WFP has supported a number of initiatives designed to further support and streamline efforts of the PRRO to strengthen capacities of government counterparts in Central America as well as throughout the Latin American region through sharing of experiences and south-south and triangular cooperation. A review of these efforts is ongoing, but it is clear that there is a need for a further systemization and scale up of these activities based on experience to date.

#### **Purpose of Extension and Budget Increase (applicable for all projects)**

19. In response to the impacts of the coffee rust and the drought, based on an analysis of gaps in government assistance, and donor interest/resource forecasting, the number of targeted beneficiaries has been increased over the remainder of 2014 and the first quarter of 2015 in line with the proposed duration of the activities. Further requirements beyond the first months of 2015 will be determined based on additional analysis and planning with counterpart governments.
20. These additional requirements incorporated in the PRRO take into account government plans for assistance, for example in Guatemala where the government is assisting the majority of the drought affected population and a geographic split in coverage has been agreed in order to fill their funding gap. Similarly, based on resource availability and forecasting, WFP is focusing assistance on the severely food insecure and/or in the most affected areas.
21. Based on markets assessment, alignment with government plans and beneficiary and donor preference, an increased focus has been placed on market-based transfers through a combination of voucher and cash transfers. As a result of this accelerated shift to market-based transfers, the need for the physical contingency in 2015 has been reduced and the increased requirements as a result of the drought will consume the physical stocks.
22. Furthermore, based on the alignment with government plans and the nature of the drought emergency, WFP will primarily support beneficiaries through food assistance for assets programming in order to meet the urgent relief needs of affected households while also addressing underlying causes. In the case of Nicaragua where WFP is also supporting the

overall government response, assistance is planned through in-kind general food distributions with WFP resources complementing those of the government.

23. The Budget Revision also integrates capacity development and augmentation activities (CD&A) at Regional Bureau level to support national counterparts aimed at contributing to Emergency Preparedness and Response (EPR) capacities in the region. This assistance is designed to specifically strengthen local, national and regional government capacities to prepare and respond efficiently and effectively to emergencies. Activities include:
- Trainings in preparation and response to emergencies;
  - Trainings in humanitarian supply chain management;
  - Trainings in rapid assessments;
  - Trainings in nutrition security in emergencies;
  - Strengthening emergency telecommunications;
  - Organizing and delivering emergency simulation exercises;
  - Developing online courses on emergency response to serve as training tools for government humanitarian workers.
  - Promoting South to South cooperation (SSC) to facilitate the movement of goods and humanitarian workers.

Activity	Current			Increase/Decrease		Revised	
	2014	2015	2016 <sup>5</sup>	2014	2015	2014	2015
<b>RELIEF</b>							
Phase 1 – Food	262,000	262,000	262,000	(150,000)	-	112,000	262,000
Phase 2 – Food	207,000	157,000	131,000	(105,000)	-	102,000	157,000
Phase 2 – C&V	55,000	105,000	131,000	(22,000)	-	33,000	105,000
<i>Total Relief</i>	<i>262,000</i>	<i>262,000</i>	<i>262,000</i>	<i>(150,000)</i>	<i>-</i>	<i>112,000</i>	<i>262,000</i>
<b>RECOVERY<sup>6</sup></b>							
Phase 3 FFA – Food	252,000	167,000	139,000	35,000	(78,000)	287,000	89,000
Phase 3 FFA – C&V	84,000	111,000	139,000	359,000	310,000	443,000	421,000
<i>Total Recovery</i>	<i>336,000</i>	<i>278,000</i>	<i>278,000</i>	<i>394,000</i>	<i>232,000</i>	<i>730,000</i>	<i>510,000</i>
<i>Total Beneficiaries</i>	<i>467,000</i>	<i>410,000</i>	<i>410,000</i>	<i>267,000</i>	<i>301,000</i>	<i>734,000</i>	<i>711,000</i>

24. There have been no changes to the planned in-kind food-basket rations, however cash and voucher transfer values in Honduras have been adjusted to reflect current market prices where necessary. The adjusted value is US\$ 0.5 per person per day for recovery activities and was based on micro market assessments and market monitoring findings.

25. Associated costs will also be increased based on a solid analysis carried out by COs and RB to realign plans to the various operational changes mentioned above and keeping in mind expected expenditures and funds availability. The shift in drought response from in-kind food to voucher transfers is reflected in a concomitant decrease in food-related costs. Because of existing balances and the new distribution arrangements, the C&V related costs

<sup>4</sup> Total beneficiaries account for overlap of beneficiaries across phases of relief and recovery responses.

<sup>5</sup> No changes to 2016

<sup>6</sup> Food assistance for training (food, cash or vouchers) is a subset of FFA as in some cases, project activities start with training.

increases are not proportional to the voucher transfer values increases. DSC does not go up in proportion to the transfer values primarily due to limited increases in Guatemala where existing balances and the new lower programming rate suffice to cover the planned expenditures.

## FOOD REQUIREMENTS

26. Changes in food, cash and voucher requirements are indicated in table 3 below:

TABLE 3: FOOD/CASH AND VOUCHER REQUIREMENTS BY COUNTRY				
Country	Commodity / Cash & voucher	Food requirements (mt) / Cash/Voucher (US\$)		
		Current	Increase / Decrease	Revised total
El Salvador	Commodity	12,799	(2,869)	9,930
	Cash	3,916,497	(1,743,261)	2,173,236
	Voucher	0	3,791,775	3,791,775
Guatemala	Commodity	16,184	(1,018)	15,166
	Cash	5,351,316	(132,534)	5,218,782
	Voucher	0	9,990,000	9,990,000
Honduras	Commodity	11,209	(3,252)	7,957
	Cash	3,839,240	5,274,684	9,113,924
	Voucher		4,500,000	4,500,000
Nicaragua	Commodity	8,299	1,050	9,349
	Cash	2,309,984	(594,704)	1,715,280
	Voucher	0	0	0
<b>TOTAL</b>	<b>Food requirements (mt)</b>	<b>48,491</b>	<b>(6,089)</b>	<b>42,402</b>
<b>TOTAL</b>	<b>Cash/Voucher (US\$)</b>	<b>15,417,038</b>	<b>21,085,960</b>	<b>36,502,997</b>

*For* Approved by:

*AM Abdule*

Ertharin Cousin  
Executive Director, WFP

*31 Dec 2014*

Date

## ANNEX I-A

PROJECT COST BREAKDOWN			
	Quantity (mt)	Value (US\$)	Value (US\$)
<i>Food Transfers</i>	-	-	
Cereals	(4,239)	(\$1,828,023)	
Pulses	(634)	(\$531,236)	
Oil and fats	(310)	(\$434,460)	
Mixed and blended food	(879)	(\$693,388)	
Others	(28)	(\$8,440)	
<b>Total Food Transfers</b>	<b>(6,089)</b>	<b>(\$3,495,547)</b>	
External Transport		(\$156,831)	
LTSH		(\$495,407)	
ODOC Food		(\$185,495)	
<b>Food and Related Costs <sup>7</sup></b>		<b>(\$4,333,281)</b>	<b>(\$4,333,281)</b>
C&V Transfers		\$21,085,960	
C&V Related costs		\$620,591	
<b>Cash and Vouchers and Related Costs</b>		<b>\$21,706,551</b>	<b>\$21,706,551</b>
<b>Capacity Development &amp; Augmentation</b>		<b>\$716,900</b>	<b>\$716,900</b>
<i>Direct Operational Costs</i>			\$18,090,170
Direct support costs (see Annex I-B)			\$2,077,607
<b>Total Direct Project Costs</b>			<b>\$20,167,777</b>
Indirect support costs (7,0 percent) <sup>8</sup>			\$1,411,744
<b>TOTAL WFP COSTS</b>			<b>\$21,579,521</b>

<sup>7</sup> This is a notional food basket for budgeting and approval. The contents may vary.

<sup>8</sup> The indirect support cost rate may be amended by the Board during the project.